

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: OTTER TAIL ENERGY SERVICE COMPANY	DOCKET NO. CGP-01-5
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ORDER APPROVING APPLICATION AND ISSUING CERTIFICATE

(Issued October 17, 2001)

On May 31, 2001, Otter Tail Energy Service Company (OTESCO) filed an application for a certificate as a competitive natural gas provider (CNGP) with the Utilities Board (Board). The application was identified as Docket No. CGP-01-5. The Board's rules at 199 IAC 2.2(18) and 19.14 establish the filing requirements for the issuance of a certificate. Subrule 19.14(4) states that an applicant will be notified when its application is complete and the 90-day review period begins. The Board notified OTESCO of deficiencies in its application and on June 26, 2001, OTESCO filed additional information. On July 20, 2001, the Board notified OTESCO that the application was complete and the 90-day review period had begun. OTESCO filed additional financial information on October 1, 2001, in response to Board inquiries.

Subrule 199 IAC 19.14(2) allows CNGPs providing service in Iowa prior to April 25, 2001, to continue providing service during the certification process. OTESCO indicated that it was providing service to both large and small volume customers as defined in 199 IAC 19.14(1) as of that date and therefore OTESCO has been authorized to provide service until the completion of its certification process.

OTESCO is a Minnesota corporation that provides comprehensive energy related products. OTESCO does not have any affiliates providing competitive natural gas service. OTESCO uses its parent company, Otter Tail Corporation, as a guarantor on trade debts and loans and, therefore, does not have a bond rating. As part of the additional information filed on October 1, 2001, OTESCO filed details of the guaranties provided by its parent company.

OTESCO's application contains the professional background information for its principal managerial and technical personnel. It appears that OTESCO's staff possesses extensive knowledge of and experience in various areas of the natural gas industry including marketing of natural gas service.

Paragraph 6 of the application requires CNGPs who will serve small volume customers to submit specific financial information. OTESCO included this information in its application and provided additional information to support its financial ability to provide service to small volume customers. The Board must determine if the CNGP has sufficient capital to provide the service proposed, to prevent the stranding of small volume natural gas customers, and to cover any costs associated with the failure to provide the gas contracted for by the small volume customer. If the Board determines that the CNGP does not have sufficient capital, the Board is authorized by 199 IAC 19.14(6)"f" to require a bond or place other conditions on the CGNP before granting a certificate.

Subrule 199 IAC 19.13(6) requires that the utility notify large volume customers that the utility is not obligated to supply gas to the customer if the customer does not take system supply reserve. This notice is not required for small

volume customers since the utility is required to provide gas service to small volume customers if the CNGP fails to provide gas. Paragraph 199 IAC 19.14(6)"g" requires that each rate-regulated utility have approved tariffs establishing the replacement cost for supply failure by a CNGP so that the small volume customer may return to the utility's system if the CNGP fails to provide the gas contracted for by the customer.

Iowa Code § 476.87 requires that a competitive natural gas provider or aggregator must reasonably demonstrate managerial, technical, and financial capability sufficient to obtain and deliver the services it proposes to offer. The Board finds that OTESCO has sufficient financial resources to provide competitive natural gas services to small volume customers and to cover any costs for failure to provide the gas contracted for by small volume customers. Based on a review of OTESCO's application and the additional information provided by OTESCO, the Board finds that OTESCO has reasonably demonstrated that it possesses the appropriate managerial, technical, and financial capability sufficient to obtain and deliver the services it proposes to offer. Additionally, OTESCO expressed its commitment to comply with all applicable conditions of certification contained in 199 IAC 19.14(5) and (6). OTESCO also acknowledged that failure to comply with all applicable conditions may result in the revocation of its certificate.

The Board finds that OTESCO's application complies with the filing requirements of Board rules and that OTESCO will be issued a CNGP certificate. The Board finds that no additional conditions should be placed on the certificate.

Concurrently with the issuance of this order the Board will issue a certificate, identified as Certificate No. G-0007, to OTESCO. OTESCO will be subject to the reporting requirements contained in 199 IAC 19.14(5)"c," once the certificate is issued.

IT IS THEREFORE ORDERED:

- 1 The application for a certificate as a competitive natural gas service provider in the state of Iowa filed by Otter Tail Energy Services Company on May 31, 2001, is approved
2. Otter Tail Energy Services Company shall comply with the filing requirements of 199 IAC 19.14(5).
3. Certificate No. G-0007 shall be issued to Otter Tail Energy Services Company.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Mark O. Lambert

Dated at Des Moines, Iowa, this 17th day of October, 2001.